

WORLD COARSE GRAINS SITUATION AND OUTLOOK

MONTHLY HIGHLIGHTS:

China, Still an Enigma: While China's 2003/04 corn production is forecast down 4 million tons this month, exports remain unchanged. Corn exports have been more a product of government policy than market forces, though that could change in the coming year. The government encouraged aggressive exports in recent years in order to reduce burdensome stocks built up during the late 1990's. After 4 years of heavy drawdowns, there are reports that the government is reducing support to both exporters and state-reserve warehouses.

The combination of reduced exportable supplies and expected policy changes have led analysts to project a significantly smaller export volume in 2003/04. However, changes in government support will not become clear until at least early 2004, when new policy directives are issued. Furthermore, even with less official export support, China could still ship large quantities if rising freight costs make U.S. corn less competitive in Asian markets, where China's comparative advantage includes cheaper freight, shorter shipping time, and the ability to make smaller and more frequent deliveries.

U.S. Sorghum Exports to EU a Late-Season Surprise: A tight feed grains situation and sharply higher prices has European compounders looking for alternative, cheaper, imported ingredients--including sorghum. U.S. sorghum landed in Italy would be about \$160/MT (including a duty of about \$14), very competitive to EU feed wheat and well below South American corn at full duty. In fact, Spain and Italy have already bought 360,000 tons of U.S. sorghum since July. The most recent sales to Spain appear to be outside of the annual, reduced-duty quota of 200,000 tons for 2003, which was exhausted in August.

These are the first significant quantities of U.S. sorghum exported to the EU since 1999/00. The United States has shipped no sorghum (except seed) to Italy since 1995/96.

PRICES:

Domestic: Early October FOB Gulf quotes for #2 yellow corn averaged \$102/MT, down \$1 from last month.

Early October FOB quotes for #2 yellow sorghum (Louisiana Gulf) averaged \$110/MT, down \$1 from last month. Beginning in mid-2000, sorghum for export markets became more expensive relative to corn and has usually remained so.

TRADE CHANGES IN 2003/2004

Selected Exporters

- **Australia barley** up 500,000 tons to 3.8 million as reduced EU and Black Sea supplies will help it recover its share of the Middle East market.
- **EU barley** down 500,000 tons to 4.0 million due to tightness in domestic feed supplies.

Selected Importers

- **Iran corn** up 100,000 tons to 1.7 million due to demand of the poultry sector.
- **Morocco corn** up 100,000 tons to 1.0 million based on higher expected demand.
- **Venezuela corn** down 100,000 tons to 500,000 based on a higher production forecast.

TRADE CHANGES IN 2002/2003

Selected Exporters

- **Brazil corn** down 500,000 tons to 3.5 million due to a slower-than-expected pace.
- **United States sorghum** up 150,000 tons to 4.75 million because of strong, late-season shipments, especially to the EU.

Selected Importers

- **Iran corn** up 300,000 tons to 1.9 million based on an accelerated shipment pace in recent months.
- **Philippines corn** down 200,000 tons to 100,000 due to its rejections of recent import tenders and postponement of a lower import tariff.
- **EU sorghum** up 100,000 tons to 300,000. Tight feed grain supplies and soaring prices have made U.S. sorghum competitive in Southern Europe.

Download the coarse grain tables in:

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